



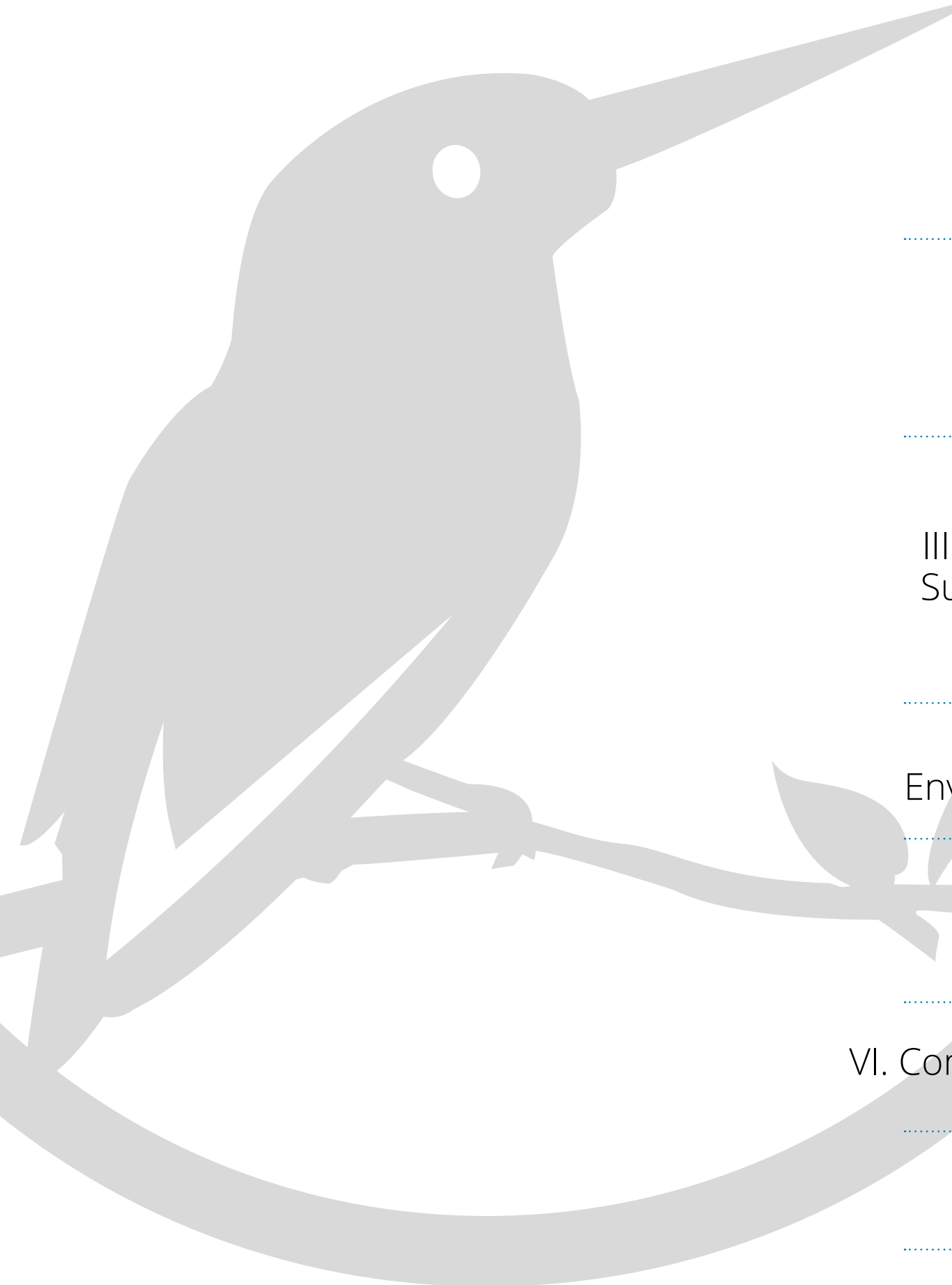
SCSglobal
SERVICES

ANNUAL REPORT 2012



SCS Global Services

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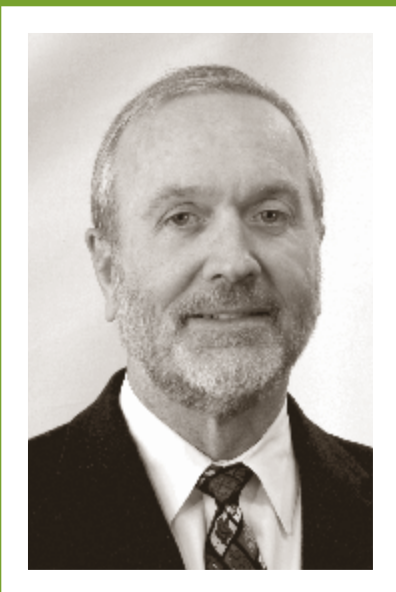


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Regional Director, Southeast Asia, **Todd Frank** befriends
a local stakeholder on a Greenhouse Gas Verification trip.



About This Report



STATEMENT FROM THE SCS EXECUTIVE TEAM

As a business that has operated for the benefit of people and the environment for nearly thirty years, SCS Global Services is pleased to publish this report in fulfillment of our responsibilities as one of California's first Benefit Corporations, and as a Certified B Corporation.

STATEMENT FROM THE BOARD

In January 2012, the company reincorporated in the State of California as a Benefit Corporation. Through this action, the corporation confirmed that it: 1) has a corporate purpose to create a materially positive impact on society and the environment; 2) includes consideration of non-financial interests within the scope of its fiduciary duty when making decisions; and 3) will report annually on its overall social and environmental performance using recognized third party standards. This is the first Annual Report published in accordance with these provisions.

Pursuant to Sections 14621 and 14630 of the California Corporations Code, the Board of Directors hereby affirms that, during the year 2012, the corporation successfully fulfilled its general purpose, functions and responsibilities as a California Benefit Corporation, and in addition, that the company fulfilled its specific purpose of providing third-party certification, auditing, testing and training services that recognize and reinforce client efforts to protect the environment and advance social responsibility.

REPORTING FRAMEWORK FOR THIS REPORT

In preparing this Annual Report, the Executive Team selected the GIIRS reporting framework. GIIRS (Global Impact Investing Rating System) is an internationally recognized system for evaluating and reporting the social and environmental impacts of companies in a comprehensive and transparent manner. In addition, GIIRS is the framework through which SCS was independently reviewed and recognized by B Lab as a Certified B Corporation, so the selection of this reporting framework ensures consistency between our certification reporting and communication of our accomplishments through this Annual Report.





COMPANY OVERVIEW & MILESTONES

Early Years

SCS was founded as a sole proprietorship by Stanley P. Rhodes in September 1984, joined by Linda G. Brown the following month. The company was officially incorporated on December 12, 1984 as a California Corporation under the name, Ohlone, Inc., named after the indigenous people who lived sustainably in the San Francisco Bay Area for thousands of years, thriving on its abundant natural resources. Operating in Oakland, California, the company began providing third-party certification services in the food and agricultural sector, under the business trade name, NutriClean.

In 1989, the corporation's name was changed to Scientific Certification Systems, Inc. (SCS). During the same year, SCS began issuing certifications in the environmental claims arena under the business trade name, Green Cross, in conjunction with the Green Cross certification symbol. In 1991, SCS began consolidating certification programs under the SCS corporate name, and revised its certification mark to a Green Cross and Blue Globe, representing the efforts of certified products and companies to help the earth. Also in 1991, SCS began performing third-party certifications in the natural resources sector.

In 2001, SCS relocated its headquarters to Emeryville, California, just across the bay from San Francisco.

New 2012 Corporate Identity and Certification Mark

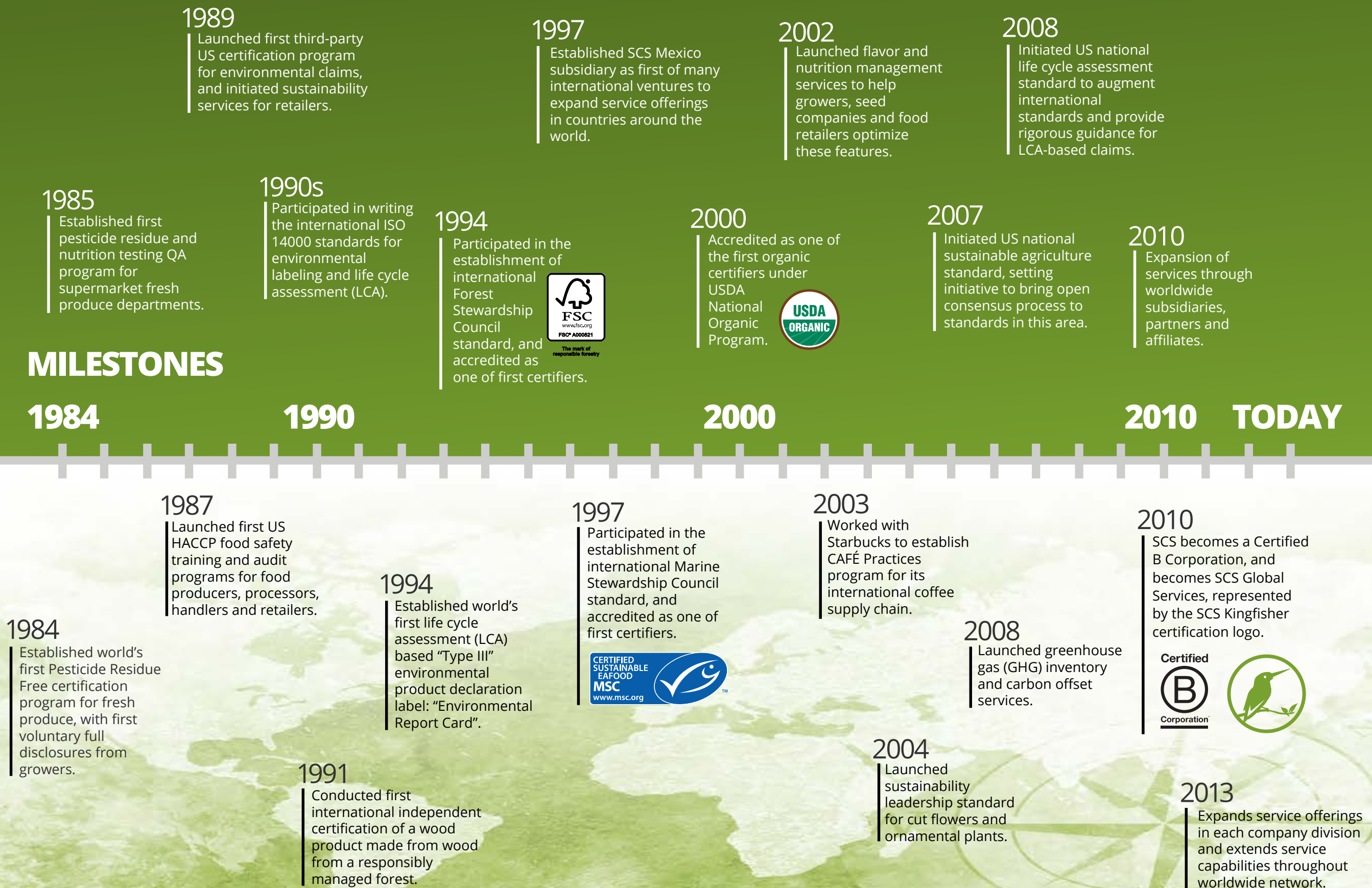
In 2012, Scientific Certification Systems, Inc. began doing business as SCS Global Services. The new corporate identity reflects the company's position as a leader in the provision of third-party certification, auditing, testing and standards development in the burgeoning fields of environmental, sustainability and quality performance claims across the globe. Headquartered in the San Francisco Bay Area, SCS Global Services now operates on six continents, with 14 strategic offices and regional representatives, plus an extensive network of auditors.

Along with its new trade name and corporate logo, SCS Global Services introduced a new global certification mark, the SCS Kingfisher. Kingfisher birds, ubiquitous and beloved around the world, are known for their keen vision, colorful plumage, and skillful hunting. Widely recognized as indicators of environmental health, some species are now threatened with extinction. The SCS Kingfisher serves as a reminder of the power, beauty and vulnerability of nature in the face of human activities. It is now appearing on an increasing number of products certified by SCS.

In support of the new corporate identity and certification mark, SCS also completed the update of its new company website, www.SCSglobalServices.com, which provides streamlined navigation and highlights the company's international capabilities.

Company Overview and Governance

MILESTONES



SUSTAINABILITY VISION AND MISSION

SCS' vision, as articulated by founder Stanley P. Rhodes, is to promote sustainable decision-making and policies in every sector of the economy around the world, in order to safeguard our environment, support workers and communities, and raise the standard of living for all.

In support of this vision, SCS' mission is to: 1) establish and implement programs and services that recognize the outstanding achievements of companies, institutions, and organizations that meet the highest levels of performance in environmental protection, social responsibility, product safety, and quality; and 2) stimulate continuous improvement on the path toward sustainability.

Specifically, we provide auditing, testing, certification, life cycle assessment, and strategic consulting services for corporations, government agencies, and stakeholders worldwide to identify and drive practices and policies that advance the goals of sustainable development and give innovators a competitive advantage. These services have enabled policy-makers, procurement officers, company decision-makers and consumers to make informed decisions based on the highest level of environmental, ethical and quality accountability. We have been proud to work with leaders across the energy, forestry, green building, agricultural, fisheries, and consumer products sectors.

To inform our benefit mission, we employ a life cycle framework, state-of-the-art science, proven analytical methods and performance metrics, and professional expertise. To ensure that this vision and mission will be maintained over time, SCS became a benefit corporation in the state of California, legally expanding its corporate responsibilities to include consideration of stakeholder interests.



Inspecting sustainable flowers for shipment

"Our vision is to promote sustainable decision-making and policies in every sector of the economy around the world, in order to safeguard our environment, support workers and communities, and raise the standard of living for all."

– Stanley P. Rhodes, President



SETTING THE STANDARD FOR SUSTAINABILITY

As part of our mission, SCS is committed to the development of leadership standards that drive sustainability practices and continuous improvement in a practical, responsible, and scientifically-rigorous manner. To this end, we work in four ways:

1. We initiate the development of standards for industry sectors and claims categories that are underserved, and that offer important advances in one or more aspects of sustainability. These standards are created in accordance with our detailed Standards Development Procedure, which emphasizes thorough process, stakeholder input and transparency.
2. We participate on national, international, and independent, multi-stakeholder standards writing committees to develop new, consensus-based product and management standards in a wide range of industry sectors.
3. We provide guidance to companies who are interested in developing their own in-house standards and specification for internal operations quality control and supply chain management.
4. We supply third-party auditing and certification services to help test standards during the pilot stage to ensure auditability and credibility.

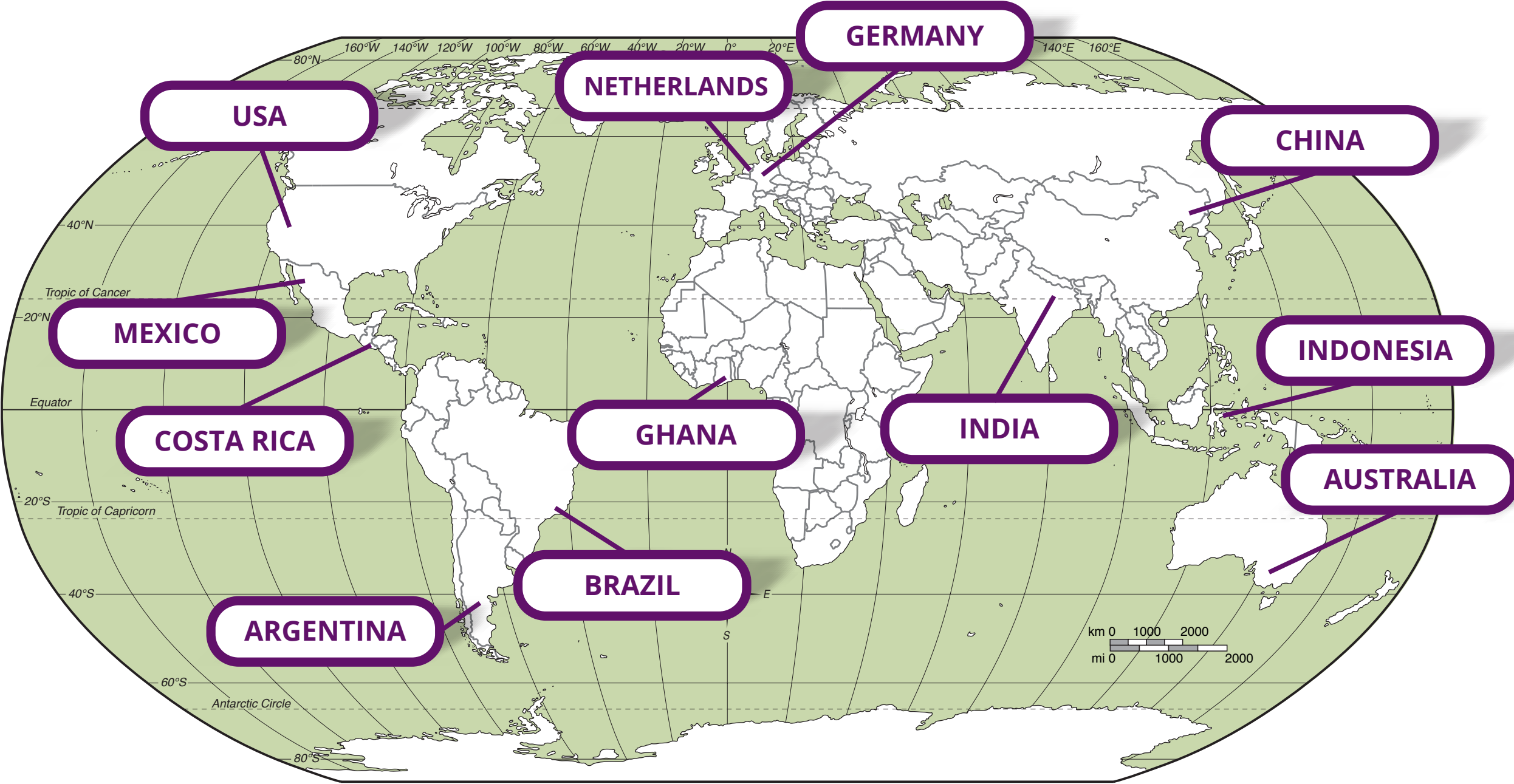
The Right to Know

Throughout its history, SCS has been a strong advocate for the Right to Know. Only when decision makers at all levels have the unadulterated facts at their disposal can they make sound judgments and choices. In accordance with this perspective, SCS has developed and endorsed environmental labeling systems that promote understanding of the strengths and limits of specific claims.

Likewise, SCS has been an outspoken critic of greenwashing since environmental claims, and more recently, sustainability claims, became mainstream. Greenwashing diminishes the legitimate accomplishments of true industry leaders by confusing the marketplace.

GLOBAL PRESENCE

SCS subsidiary offices and partners are located strategically around the globe in:
Argentina, Australia, Brazil, China, Costa Rica, Germany, Ghana, India, Indonesia, Mexico, and The Netherlands.



ACCOUNTABILITY AND TRANSPARENCY

Ownership

Since its establishment, SCS ownership has rested in the hands of the founders and key company staff, current and past. This ownership model fits closely with SCS' commitment to remaining a neutral third-party.

SCS Executive Team, Senior Management, Board of Directors, and Advisory Board

The day-to-day operations of SCS are managed by the Executive Team, consisting of Stanley P. Rhodes, Ph.D., President and CEO, and Robert J. Hrubes, Ph.D., Executive Vice President. Additional senior management includes Linda G. Brown, Senior Vice President, and Scott Romito, Chief Financial Officer. The company operates under three service divisions, each supervised by a Managing Director: Environmental Certification Services, Natural Resource Management, and Food and Agriculture. Each regional office has a director of services.

The SCS Board of Directors consists of five people: Jim Knutzon (chair), Linda G. Brown (secretary/treasurer), Stanley P. Rhodes, Robert J. Hrubes, and Michele Blazek. The board meets quarterly.

SCS Advisory Board members are appointed once every three years, and are responsible for advisory oversight of strategy and policies relating to SCS certification, inspection, validation and verification services, and advisory oversight of SCS' financial policies and practices pertaining to these services. Advisory Board members represent a range of industry sectors and viewpoints, providing a balance of interests. In 2012, Advisory Board members represented expertise in Forestry, Agriculture, Fisheries, Furniture, and Climate Change.



Forester **Francis Eaton** conducting a Greenhouse Gas validation in Peru.

Neutral Third Party

In keeping with our historic mission, SCS delivered services in 2012 as a neutral third-party, providing the independent perspective needed to help clients evaluate their own performance, identify improvement opportunities, determine the best steps forward, and build customer and stakeholder confidence.

- We are financially independent from our clients, and have no financial backing from any institution with an interest in representing our clients or their products.
- We operate on a fee-for-service basis, providing transparency and ensuring that our fees are not attached to the volume of sales of certified products.
- Our internal Quality System and company policies ensure insulation from commercial, financial and other pressures that might influence the findings of a certification, verification or validation assessment, and interpretations of test results.
- Each SCS Program Director and Manager is responsible for identifying, analyzing and documenting potential conflicts of interest relative to project-specific evaluation, audit and certification activities.
- SCS requires all personnel, internal and contracted, to reveal any situation known to them that may present them or SCS with a potential conflict of interest.



Technical Associate **Rachel Lem** and Quality Associate **Vanessa Ellis** auditing Big Creek Lumber to FSC Standards.



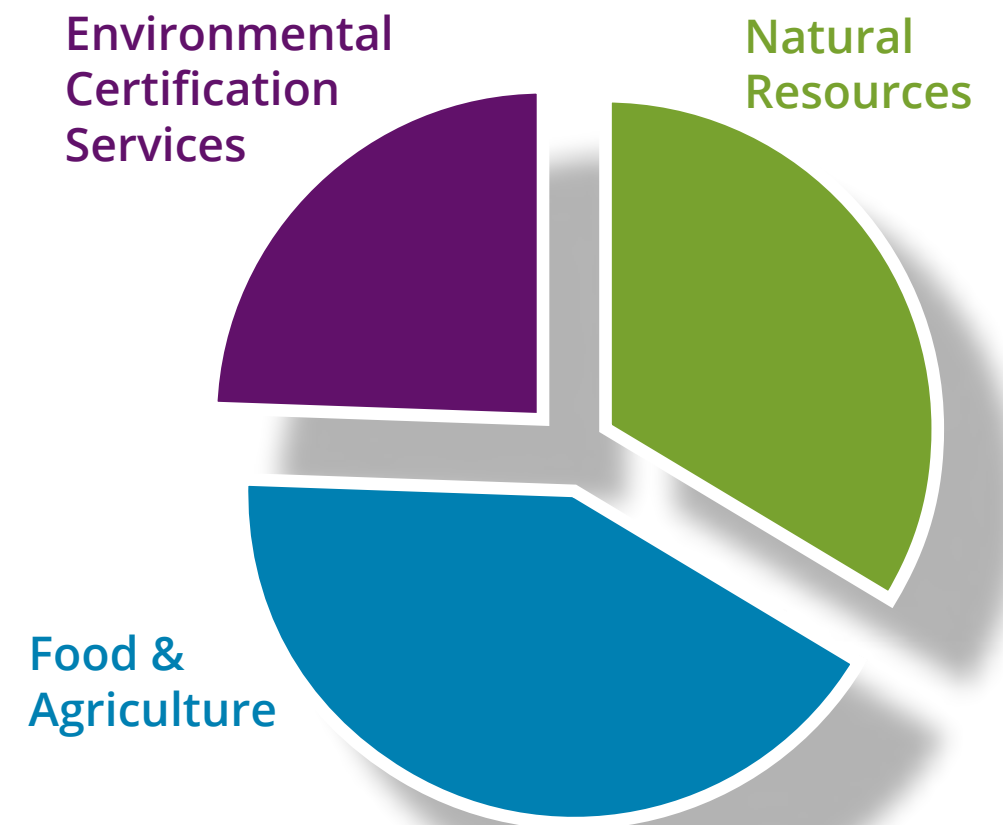


SCS PRODUCTS & SERVICES

SCS provides third-party certification / verification of business-to-business (B2B) and business-to-consumer (B2C) market claims related to environmental performance, sustainability, and product quality, and is a pioneer and practitioner in the field of life cycle assessment (LCA). Our services are offered through three company divisions: Environmental Certification Services, Natural Resources, and Food and Agriculture. Together, these services support our specific purpose as a California Benefit Corporation.

In 2012, more than 2,200 certifications, verifications, validations, or other independent assessments were conducted, issued, or reissued.

Providing
Services in
Support of
Our Mission



ENVIRONMENTAL CERTIFICATION SERVICES

In 2012, the Environmental Certification Services division of SCS offered the following services:

Environmental Claims Validations

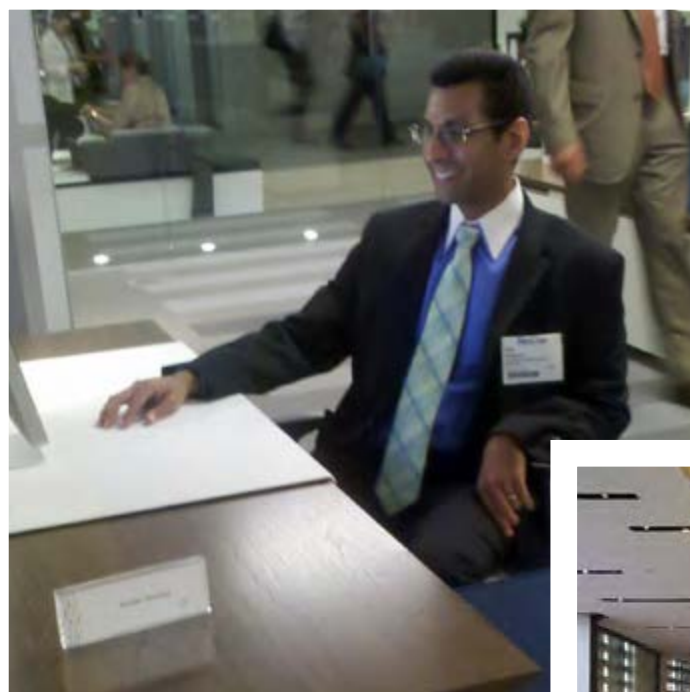
- Compostable
- Energy Efficiency
- No Added Formaldehyde
- Rapidly Renewable
- Reused Materials
- Regionally Produced Materials
- REACH and RoHS Compliance
- Zero and Reduced VOC Content
- Zero Waste
- Custom Claims

Single Attribute Certifications

- Indoor Advantage Indoor Air Quality
- FloorScore®*
- CARB ATCM 93120
- Recycled Content
- Biodegradable



*SCS is the sole certifier for the Resilient Floor Covering Institute's FloorScore program.



*Global Sales and Marketing Manager,
Vik Ahuja, at NEOCON 2012.*



Multi-Attribute Certifications

- Green Squared® for the Tile Industry
- BIFMA e3 level® Furniture Sustainability
- NSF/ANSI 140 Sustainability Assessment for Carpet
- NSF/ANSI 332 Sustainability Assessment for Resilient Floor Coverings
- NSF/ANSI 336 Sustainability Assessment for Commercial Furnishings Fabrics
- Certified Responsible Source for Metals, Gemstones and Jewelry
- Certified Responsible Source for Polyester

Life Cycle Assessment Services and Certifications

- Life Cycle Assessment (LCA)
- Environmental Product Declaration
- Environmentally Preferable Product
- LCA Training

Sustainability Services

- Strategic Management Planning
- Sustainable Sourcing
- Metrics and Benchmarking
- SCS Sustainable Brands



"We have found that one way to differentiate ourselves is to demonstrate our environmental responsibility."

– McKillican International





NATURAL RESOURCES

In 2012, the Natural Resources division of SCS offered the following services:

Forests and Wood Products

- FSC® Certified Responsible Forestry Certification
- FSC® Chain of Custody Certification
- PEFC Chain of Custody Certification
- Timber Legality Verification

Climate

- Carbon Offset Verification (VCS, CAR, ACR, CCB, FCOP)
- Carbon Footprint (TCP, WRI, CDP, PAS 2050)
- Carbon Neutral

Fisheries and Seafood

- MSC Fisheries Certification
- ASC Aquaculture Production Certification
- MSC and ASC Seafood Chain of Custody Certification



The mark of responsible forestry



Left - Verification Forester **Zane Haxtema**
Right - Manager, Sustainable Seafood **Sabine Daume**

FOOD & AGRICULTURE

In 2012, the Food and Agriculture division of SCS offered the following services:

Food Safety

- GFSI (Safe Quality Food, BRC, Global G.A.P.)
- GAP, GMP
- Tesco Nurture



GLOBALG.A.P.



Organic and Sustainability

- USDA Organic
- Fair Trade Certified®
- Retailer Ethical Sourcing
- Sustainable Agriculture
- Sustainable Biofuels
- Veriflora®
- Certified Greenhouse Farmers

Quality

- Antioxidant Superfoods
- Flavor and Sensory Analysis
- Pesticide Residue Free
- Residue Management (MRL)

Other

- Training
- Analytical Testing
- Retailer Services



Left to right - Logistics Coordinator **Rodney Williams**, Lead Auditor **David Hernick**, Senior Specialist **Michael Keyes** out in the field





INTEGRATED FARM ASSURANCE VERSION 4

ALL FARM BASE MODULE

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TRAINING AND EDUCATION

In 2012, SCS offered an increasing number of educational training opportunities for industry representatives, government agency personnel, practitioners and other interested stakeholders in a growing number of areas. In our most popular training category, Food Safety, more than 575 individuals attended and completed specialized trainings over the course of the year. Courses covered Hazard Analysis Critical Control Point (HACCP), Global Food Safety Initiative (GFSI) level Food Safety, Auditor Training, and Flavor and Sensory Analysis.

In 2012, SCS developed a Continuing Education Unit presentation providing an introduction to the Tile Council of North America's Green Squared® certification program for sustainable tile and installation products. The presentation, accredited by the Interior Design Continuing Education Council (IDCEC) explains the standard, describes certification process, discusses Green Squared in the context of various green rating systems and specifications, and provides resources for specifying Green Squared certified products.



ACCREDITATIONS

The following independent accreditations were renewed or issued in 2012 for SCS services. The initial year of accreditation for the respective programs is also included. Accreditations are conducted by independent reviewers, and involve in-depth reviews of SCS processes and practices, as well as shadow audits.

1. SCS is an accredited certification body by Accreditation Services International (ASI) according to:
 - SCS Forest Conservation Program is accredited by ASI for the Forest Stewardship Council's (FSC) Forest Management, Chain of Custody, and FSC Controlled Wood Certifications. Initial accreditation date - February 1996
 - SCS is accredited by ASI for the certification of fisheries that meet the Marine Stewardship Council's (MSC) Principles and Criteria for Sustainable Fishing. Initial accreditation date - January 2001
 - The scope of SCS' MSC Chain of Custody accreditation by ASI was expanded in April of 2012 to include the Aquaculture Stewardship Council (ASC) Chain of Custody standard.
 - SCS earned status from ASI as a formal applicant for ASC accreditation in August of 2012. Scope currently applies to the ASC Pangasius Standard and we anticipate acquiring additional accreditations as new species' standards are finalized.
2. SCS is accredited by the U.S. Department of Agriculture (USDA) under the National Organic Program (NOP) to certify organic crops, wild crops and handling operations. Initial accreditation date - April 2002
3. The American National Standards Institute (ANSI) has accredited SCS to ISO/IEC Guide 65, an international performance standard for third-party certification bodies. This accreditation covers:
 - Food safety auditing conducted on behalf of the Safe Quality Foods standards (SQF Code Edition 7). Initial accreditation date - March 2009
 - Food safety auditing conducted on behalf of the British Retail Consortium (BRC Issue 6). Initial accreditation date: March 2011
 - Food safety auditing conducted on behalf of GlobalG.A.P. (Version 4.0) and Produce Safety Standard 4.0 (PSS). Initial accreditation date - August 2011 and December 2012, respectively



Inc. 5000 Fastest Growing Companies

In 2012, SCS Global Services was recognized for the third year in a row as one of the 5,000 fastest growing companies in the United States.



FSC Australia Best SCS Certification Body / Auditor of 2012

In 2012, SCS Global Services was named the best certification body by the Forest Stewardship Council (FSC) Australia division, and **Nick Capobianco**, Director of the SCS' Australian office, was recognized as best FSC auditor.

- Wood and paper products Chain of Custody for the Programme for the Endorsement of Forest Certification (PEFC ST 2002:20010 Chain of Custody of Forest Based Products). Initial accreditation date - March 2009
 - SCS' proprietary Veriflora® Certification Standard, Version 3.0, Certification of Sustainably Grown Cut Flowers and Potted Plants - Requirements for Growers and Handlers. Initial accreditation date - March 2009
 - Indoor Air Quality for SCS' proprietary Indoor Advantage™ and Indoor Advantage™ Gold and FloorScore®. Initial accreditation date - March 2009
 - Multi-attribute furniture certification level™, Certification Program for BIFMA e3-2008 Sustainable Furniture Standard. Initial accreditation date - October 2010
4. ANSI has also accredited SCS to ISO 14065 for Greenhouse Gas Validation and Verification. Initial accreditation date - May 2009. The accreditation includes the following programs:
- The Climate Registry (TCR)
 - Verified Carbon Standard (VCS)
 - Climate Action Reserve (CAR)
 - American Carbon Registry (ACR)

SCS is accredited to perform assessment for GHG inventories and the following project types: forestry, urban forestry, ozone depleting substances, renewable energy, livestock, landfill, agriculture, and other land uses.

5. The California Air Resources Board (CARB) has accredited SCS as an Offset Verification Body to assess offset projects under the compliance offset program pursuant to Assembly Bill 32 (The Global Warming Solutions Act of 2006). SCS is accredited to perform assessments of the following offset project types: US forestry, urban forestry, ozone depleting substances, and livestock.



Carbon Trading Magazine's Best Validation and Verification Company

In 2012, SCS Global Services was named "Best Validation Company" and "Best Verification Company" in Carbon Trading Magazine's 2012 Carbon Market Survey. Members of the carbon industry were invited to vote on their peers based on efficiency and quality of service, reliability in the market and the ability to adapt to changing market conditions.





Reducing Our Environmental Footprint

OUR ENVIRONMENTAL PRACTICES

Our commitment as a Benefit Corporation is not only driven from top down, but from the bottom up. Our employees make a difference every single day in their efforts to minimize the environmental impacts of our operations.

- As a service business, the company's environmental footprint is largely a function of five areas of activity:
- Work commute
- Business travel
- Electric power consumption
- Office supplies consumption
- Waste management

In 2012, SCS management and employees undertook significant measures at our headquarters in Emeryville, California to reduce our environmental impacts in these areas.



17%

Bicycle to work at least once per month



23%

Take public transportation (BART or bus) at least once per month



20%

Telecommute at least once per month



TRANSPORTATION

Work Commute – The company actively encourages employees to find alternative means of traveling to and from work to reduce transportation impacts.

The Emeryville office is centrally located in the San Francisco Bay Area, accessible by free shuttle bus from a major transit hub of Bay Area Rapid Transit (BART).

- Many employees bicycle to work, utilizing onsite bicycle parking. Every spring, the company participates in the region wide “Bike to Work” month. In 2012, 17% of employees participated, riding a total of 2,497 miles. (The same number of miles driven in an automobile would have added 1.37 tons of carbon dioxide to the atmosphere.)
- As a financial incentive to avoid driving, the company makes commute stipends available to employees who decline a parking garage pass.
- Telecommuting is utilized on a case-by-case basis.
- Flex-time is granted on a case-by-case basis to allow employees to avoid heavy commute traffic hours.

Business Travel – Business travel is an integral part of our business. Auditors must conduct onsite inspections as part of their assessment responsibilities, and our professional staff must travel to meetings. A variety of tactics are employed to minimize travel and travel-related impacts:

- Internet technologies such as Skype and Webex are used regularly to conduct face-to-face meetings, provide presentations, participate in professional meetings, and otherwise conduct business with auditors, managers and clients internationally. Over 18% of local staff report having utilized at least one of these technologies to replace airline trips on one or more occasions during 2012.
- The company maintains an international network of auditors to reduce overall vehicle miles traveled.
- The company encourages employees to rent fuel-efficient economy cars when traveling.





FACILITIES, SUPPLIES AND RECYCLING

Energy Efficiency – Located within a multi-story, multi-tenant office building, SCS does not currently have the ability to accurately track energy use in the office. However, it is worthy to note that the building's design, together with our tenant improvements of interior floor-to-ceiling glass walls for outer perimeter offices, maximize natural light, reducing the need for overhead lighting. In addition, common spaces and copy rooms are equipped with timers and motion sensors.

To further save energy in 2012, we utilized high efficiency Energy Star appliances, purchased compact fluorescents for desk lighting where needed, and programmed computer monitors to enter automatic sleep mode after 15 minutes.

Furnishings – SCS purchased existing office furniture from the previous occupant when it moved to its current location in December 2010, rather than replace with new furniture. Our policy for all new furniture purchases since that time, including conference room chairs, training room furniture, and rotunda waiting area chairs, has been to choose from companies whose products have been certified by SCS to one or more of the environmental (recycled, indoor air quality, etc.) or sustainability certification standards represented among our Environmental Certification Services offerings.

Kitchen Supplies – SCS makes every effort to support sustainability and health in shared kitchen spaces. Reusable kitchen utensils and dinnerware are supplied, and caterers are asked to refrain from providing plastic utensils. Employees have access to ample refrigerator space and dishwashers are run when full. Kitchen cleaning products are typically purchased from SCS-certified companies, founding B Corporations members, or Seventh Generation, depending on availability.

Paper – All paper stock for SCS office paper, certificates, and holiday cards are Forest Stewardship Council (FSC) certified, 100% recycled. Double-sided printing is used whenever possible. In 2012, in conjunction with our corporate rebranding initiative, SCS ordered a complete set of new company stationery and business cards. All new company stationery and business cards were printed on FSC certified, 100% recycled paper stock.

In 2012, SCS training binders were printed at FedEx Office on FSC certified copy paper. In 2003, FedEx Office adopted a forest-based products policy, which includes vendor requirements surrounding responsible forest-management practices, as well as recycled-content standards. This policy increased the number of FSC certified products offered, earning FedEx Office honors from Forest Ethics and the Dogwood Alliance from 2007 through 2011. In 2009 and 2010, FedEx Office received the highest grade on the Green Grades report card on paper practices in the office supply retail sector.

Flowers – Flowers purchased for SCS celebrations are Veriflora® certified.

Water – SCS discontinued its bottled water service in 2010; under-counter water filters supply both hot and cold filtered water.





Recycling and Composting – SCS maintains a comprehensive recycling and composting program, which expanded in 2012:

- Recycling bins are located throughout the office in individual offices, copy rooms, kitchens and other common spaces. A wide range of paper, glass, plastic, and other materials can be recycled locally.
- SCS provides recycling training from the local waste management company and supplies drop-off locations for #4 soft plastics to be recycled at supermarkets.
- SCS made repeated requests to the office complex managers to institute composting services. In response to tenant feedback from SCS and others, a composting program was established, as well as a battery and cell phone recycling station.
- SCS purchases only rechargeable batteries.
- Out of-date computers are donated to employees or refurbished by technicians for donation.
- A majority of cardboard boxes and packing materials are reused or returned to mailing centers.

Account Manager **Fenja Blobel** introducing Senior Vice President **Linda Brown** (not pictured) at EcoTuesday in San Francisco.



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Setting the standard for sustainable



Director, Chain of Custody, **Adam Wiskind**, Executive Vice President **Robert J. Hrubes**,
and Director, Forest Management Certification, **Brendan Grady** at Greenbuild 2012.

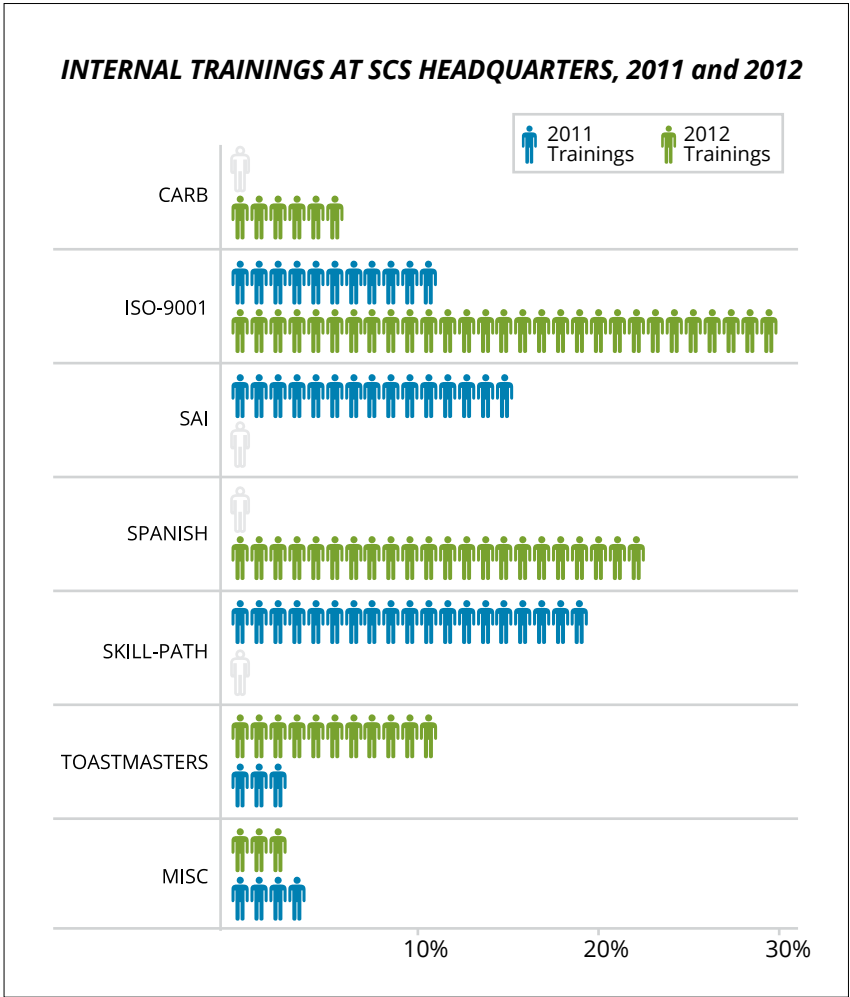


Our Workforce

PROFESSIONALISM

As a trusted third-party service provider, the expertise and integrity of our workforce is paramount to our specific benefit mission. SCS is committed to ensuring that our staff meet the highest standards of professionalism, and have continuing opportunities to develop their knowledge and skills while on the job. To this end, in 2012, SCS continued its policies of:

- Seeking candidates for open positions possessing the appropriate professional credentials.
- Providing professional development opportunities both internally through staff trainings as well as externally. During the year, over 40% of SCS employees received additional professional training.
- Confirming work performance through independent accreditations under multiple programs, as well as through internal review processes.
- Maintaining and responding to customer feedback and complaint mechanism, established in accordance with our Quality System.
- Promoting individuals internally who demonstrate exceptional performance, as job opportunities become available. In 2012, approximately 10% of SCS employees were promoted internally.



In addition to employees, SCS maintains an extensive worldwide network of auditors, technical experts, and specialized laboratories. To ensure the quality of work in 2012, we continued to enforce the following Quality System policies:

- Subcontractors sign an SCS Subcontractor Agreement.
- Subcontractors demonstrate in advance that they have no conflict of interest in the performance of their responsibilities (SCS Conflict of Interest Statement).
- SCS ensures the suitability and competence of subcontractors, and takes responsibility for the quality of work conducted on its behalf by subcontractors.
- Subcontractors providing auditing services operate in accordance with ISO 19011:2011 and where applicable, with ISO/IEC 17020 (for Inspection Bodies) and ISO/IEC 17025 (for Laboratories).
- Clients provide prior consent to the use of subcontractors.
- Subcontractors have access to all relevant corporate and program procedures, as well as program quality manuals.



*Sustainability Manager **Jane Atkins Franch** meeting locals while auditing in Tanzania.*



BENEFITS

SCS has always been a staunch believer in providing its employees with a generous benefits package. In 2012, our benefits package consisted of comprehensive health insurance coverage, a retirement plan, a profit sharing and bonus plan, and holiday and vacation time.

Health

After a vesting period of two months, all SCS employees are eligible for enrollment in our health plan. In 2012, SCS covered 95% of health insurance premiums for medical, dental, and vision coverage, including life insurance and long-term disability, as well as 20% for enrolled dependents.

Retirement Plan

After six months of employment, all SCS employees are eligible to participate in the company's 401(k) Pension Plan up to the legal limit, and receive a 50% matching contribution, vested incrementally over five years.

Profit Sharing and Bonuses

After six months of employment, SCS employees are eligible to participate in the SCS Profit Sharing Plan, based on length of service. Additionally, employees are eligible for annual company bonuses, subject to company and individual performance metrics.

Holidays and Vacation

SCS employees receive eight paid holidays plus one floating holiday annually. In addition, all employees are eligible for vacation leave, which increases incrementally based on years of employment, starting at the annual accrual of three weeks of vacation and one week of sick leave.

*Audit Coordinator **Megan Robbins** and Senior Associate **Rori Cowan** enjoy the Summer Solstice Picnic.*

CORPORATE CULTURE

Just as important as assembling a highly professional staff and providing generous benefits, we firmly believe that it is equally important to create a corporate culture that reinforces the vision and mission of the company, provides ample opportunities for cross-fertilization of ideas, stimulates creativity, and balances the very serious work of the organization with some serious fun.

- **Brown Bag Lunches** – Staff gather informally during lunch to learn from their peers about important issues and program developments. In 2011 and 2012, topics included: a life cycle assessment of a Northern California forest, sustainable fisheries, FSC Chain of Custody, forestry verification techniques, and Webex.
- **Special Staff Initiatives** – In September 2012, the SCS Human Resources department launched a Wellness program aimed at health and stress relief. Employees practiced stress relief techniques in yoga classes and a Qi Gong session, and a private meditation room was established, equipped with yoga equipment. Break room displays showed maps of walking trails accessible from the SCS office, and information was provided about online health resources and local healthy food sources. Massages, desk plants, office artwork, and a guided tour of a local lake were raffled throughout the month. Another initiative was Quality Month, held in November, during which staff were invited to exhibit their understanding of our Quality System in a Quality Month Pub Quiz and various quality challenges.
- **Company Social Events** – In 2011 and 2012, SCS employees gathered for a Valentine's Day Chocolate Raffle, Pi Day (3.14.12), a Halloween costume party, an Antioxidant Picnic, Make-A-Mushroom Demo, National Watermelon Day, and a Home-Grown Tomato Taste Test judged by the CEO and the Director of Food and Agricultural Testing. Offsite activities included a "Pool Party" at the local pool hall, French cheese tasting on Bastille Day, a Cinco De Mayo piñata, bocce, bowling, and a San Francisco Bay cruise to celebrate the holidays at the end of the year.



*Sustainability Associate **Jennifer Watters** wins a prize during the 2012 Valentine's Day Raffle.*



Tobias Schultz explains climate accounting metrics at 2012 Climate Leadership Conference in Washington, D.C.



SCS employees gather during Bike to Work Day.



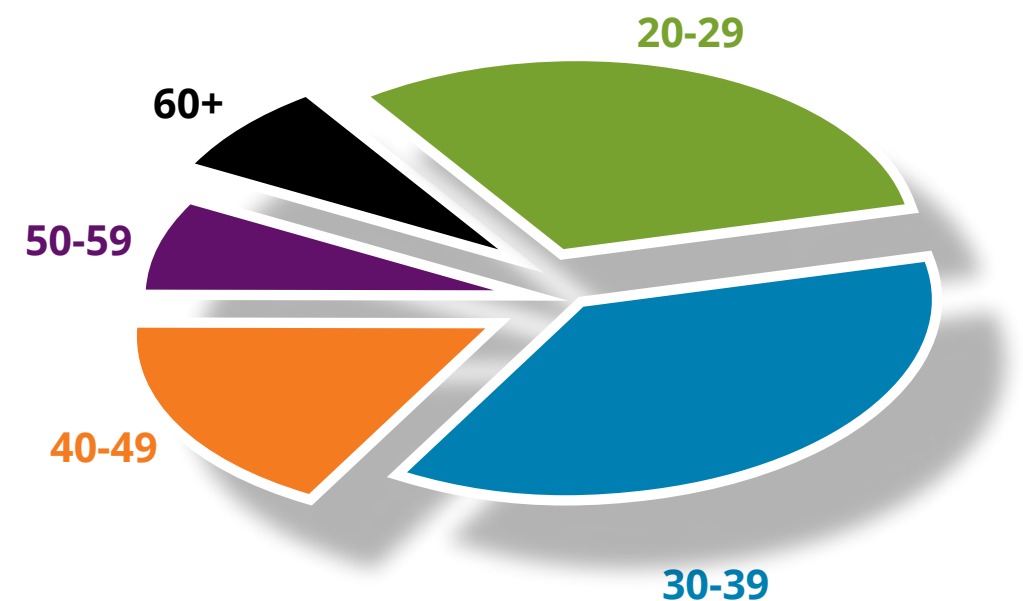
SCS employees join with local colleagues for a Toastmasters meeting.

ADDITIONAL WORKFORCE INFORMATION

SCS is an equal opportunity employer. We consider individuals for employment or promotion according to their skills, abilities and experience. We value diversity and employees of many backgrounds. SCS does not discriminate on the basis of race, color, religion, sex (including pregnancy, childbirth or related medical conditions), national origin, ancestry, age, medical condition, physical disability, mental disability, family care status, veteran status, marital status, sexual orientation, gender identity, or any other basis prohibited by law. Further, SCS prohibits the harassment of any individual on any of the bases listed above. This policy applies to all areas of employment, including recruitment, hiring, job assignment, compensation, promotion, discipline, termination, and access to benefits and training.

At the end of 2012, our US workforce was approximately 42% male and 58% female.

SCS is committed to a company-wide compensation strategy that does not result in excessive executive compensation relative to other full-time employees. Compensations for US staff are maintained at a ratio no greater than 1:10, from lowest paid entry level position to highest paid executive.



Age stratification of the workforce



*Database Administrator **Karen Delehanty** and colleagues on Bike to Work Day 2012.*



Community Engagement

In support of our general purpose as a California Benefit Corporation, SCS is committed to having a positive impact on the communities in which we operate. This section describes steps taken in the SCS headquarters office in Emeryville in 2012.

COMMUNITY PREFERENCE

Suppliers & Distributors

SCS gives preference to local suppliers with certified evidence of sustainability or corporate responsibility.

- Since 2003, we've consistently ordered the vast majority of our office supplies from a local B Corporation, Give Something Back. Supplies are selected according to recycled content and certification.
- Printers for business cards and marketing collateral are local and FSC certified.
- SCS training binders are printed at the local FedEx Office, which uses FSC certified copy paper.
- For employees and guests, we stock Oakland-based B Corporation Numi tea, and coffee (in 1 pound bags, not single servings) from Peet's, a company with admirable supply chain relations founded in the San Francisco Bay Area. We purchase only organic cream and sugar.

Hiring

SCS supports the local economy by giving preference to local job candidates, provided that other qualifications are equivalent. In 2012, over 90% of the employees hired were locally based.



*Sustainable Seafood Project Manager **Adrienne Vincent** at the 2012 Boston Seafood Show.*

SUPPORT OF LOCAL B CORPORATION COMMUNITY

- In October 2012, three SCS representatives attended the B Corporation Leaders Retreat.
- In November 2012, SCS supported its regional B Corporation community by co-hosting a mixer with B Lab and San Francisco B Corporation DIRT. At this event, visitors from the Greenbuild 2012 Conference were introduced to the unique environment of the Hub SF. By sharing office space and resources and creating daily networking opportunities, the Hub is a percolation location for small companies eager to promote change.
- SCS hosted a B Lab presentation at our booth at Greenbuild and a forest management tour of an FSC certified lumber mill in the nearby Santa Cruz mountains.
- In 2012 new employee gifts were purchased from local B Corporation, Fearless Chocolate.



*B Lab's Community Development Coordinator **Andy Fyfe** describes the importance of B Corp certification at the SCS 2012 Greenbuild booth.*



*Executive Vice President **Robert J. Hrubes** guides Greenbuild professionals through a redwood forest owned by Big Creek Lumber Company in the Santa Cruz Mountains.*



Dave Wallach and Kim Vincent packing food for families at the Alameda Food Bank.



Libby Wood, Natalie Hubbard, Amy Fuller, Yen Duong, Heather Louie, Alicia Godlove, Melissa Gutheil, Jenilee Napalan and Margaux Nguyen at Muttville, SF.



Diana Kirsanova Phillips packing food for families at the Alameda Food Bank.

CIVIC ENGAGEMENT AND GIVING

For several years, SCS has provided opportunities for our employees to be directly involved in efforts to give back to the community. Historically, we have sponsored a Day of Service, during which our employees have engaged in a wide range of activities, benefitting local food banks and environmental causes. During November and December of 2012, we expanded this concept to allow our employees to explore a wider variety of interests; over half of our employees participated in this effort.

SCS regularly contributes to a variety of organizations, including sponsorship of the Golden Gate Audubon Society's annual Birdathon, and regional and national forestry and agricultural organizations such as The Forest Guild, Central Sierra Environmental Resource Center, and The Pacific Forest Trust. In 2012, SCS provided a gift to The Climate Institute, a Washington, D.C. based climate think tank, to support education efforts about climate change.

Also in 2012, SCS agreed to provide meeting space on an ongoing basis to our local Toastmasters chapter, supporting the self-improvement goals of SCS employees and colleagues from neighboring offices.



VII

Client Spotlights



National Office Furniture

BUSINESS: Commercial office furniture including casegoods, wall rail solutions, dividers, seating, conference table tops and bases, training tables, media storage and presentation components, occasional tables, bookcases and files.

ACCOMPLISHMENT: Multiple certifications, including: BIFMA level® 2 or 3, and SCS Indoor Advantage Gold™ for all products; FSC® Chain of Custody for all wood products; and seating products with upholstery that utilizes Repreve yarn, certified under SCS' Responsible Source program.

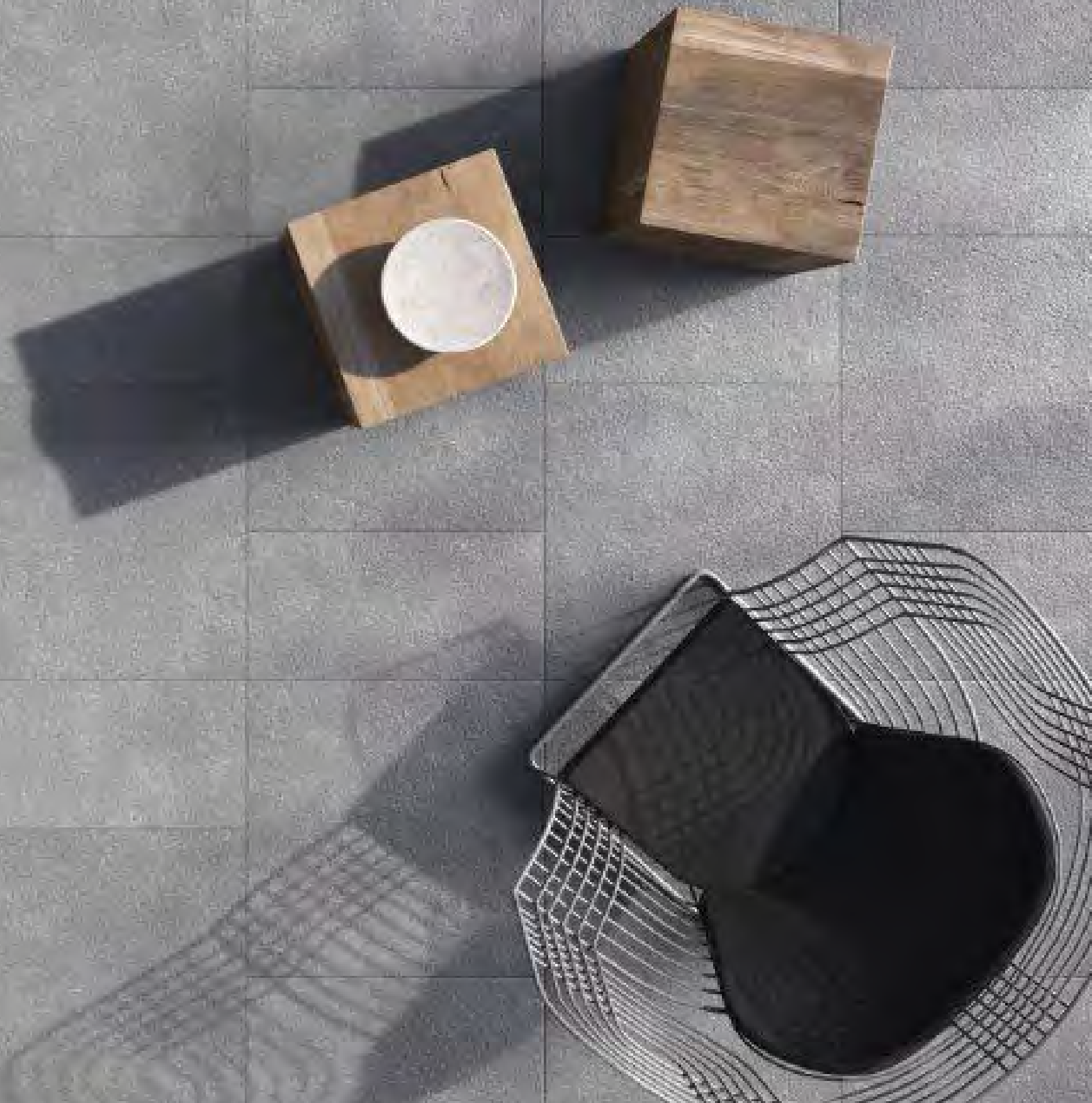
BENEFIT: Customers who purchase National's products are assured that the company conforms with numerous environmental and socially responsible leadership standards, from the stringent indoor air quality standards of SCS' Indoor Advantage Gold program, to the broader sustainability requirements of the Business and Institutional Furniture Manufacturers Association (BIFMA) level® program, and the responsible forest management standards of the Forest Stewardship Council (FSC).

Cooperativa Ceramica d'Imola

BUSINESS: Ceramic Tile Manufacturer

ACCOMPLISHMENT: Green Squared® Certification

BENEFIT: Third-party certification by SCS Global Services confirmed numerous ways in which Cooperativa Ceramica d'Imola is demonstrating leadership in its industry. Heat is recovered through cogeneration from the ceramic production process for heating water and the building. More than 90% of the company's waste is either reclaimed or recycled. Water consumption is closely tracked, and 100% of industrial wastewater is recycled. Moreover, the company actively engages with surrounding communities.





Andersen Corporation

BUSINESS: Windows and Doors

ACCOMPLISHMENT:

SCS Indoor Advantage Gold™, Recycled Content Certification, FSC Chain of Custody.

BENEFIT: Andersen Corporation is committed to environmental stewardship, communicating claims that are backed by third-party certification with SCS Global Services. Andersen was one of the first in the window and door industry to receive Forest Stewardship Council (FSC®) chain-of-custody certification. Also, Andersen doors and windows meet the U.S. and North America's strictest indoor air emission criteria: the California Section 01350 Specification. Andersen windows help builders achieve LEED credits by enabling them to claim a percentage of material in Fibrex® products as pre-consumer recycled content.

Piedmont Biofuels

SECTOR: Biofuels Production

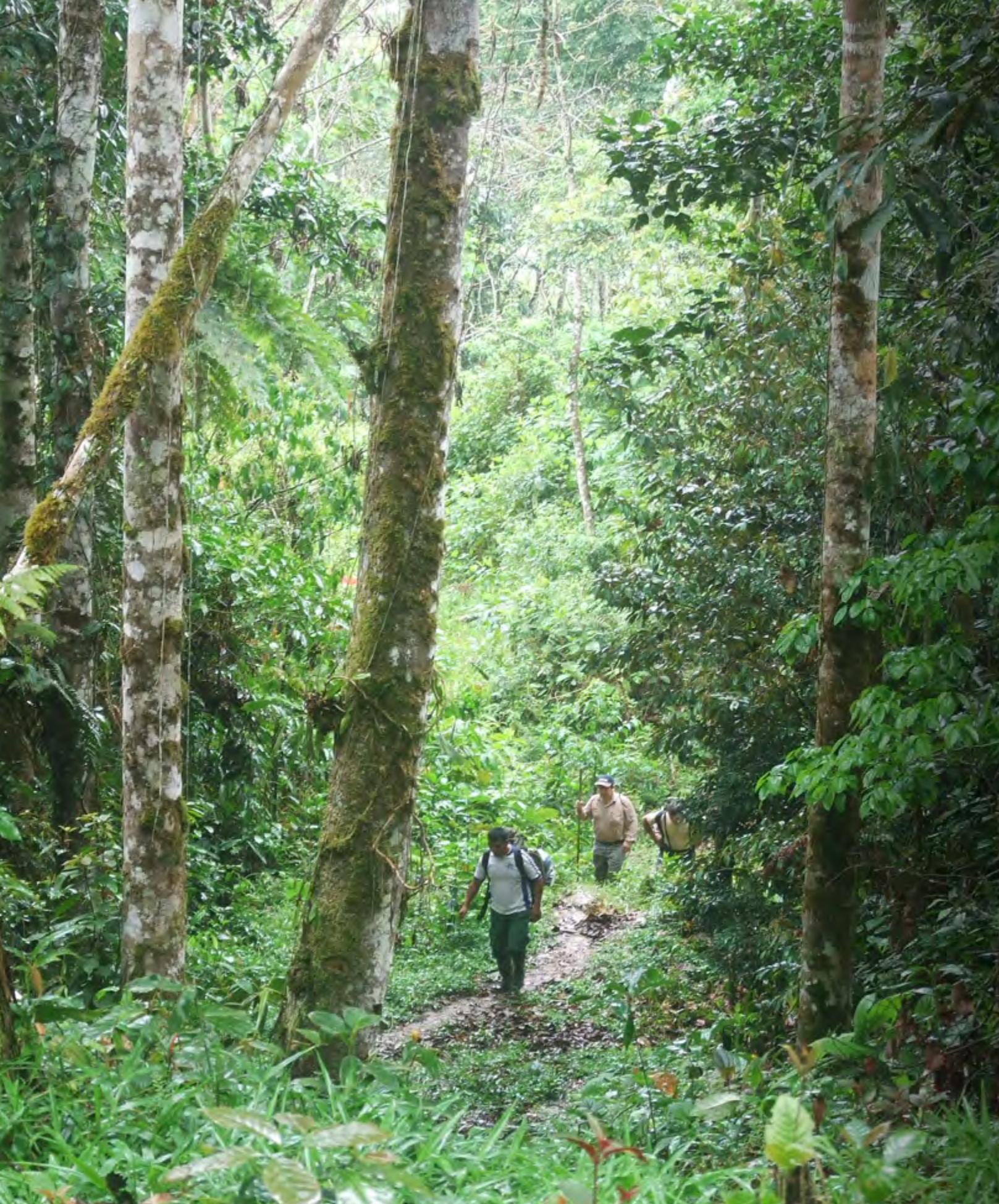
ACCOMPLISHMENT: Roundtable on Sustainable Biofuels (RSB) Certification. Piedmont Biofuels, a B Corp, earned the first RSB certification in the United States.

BENEFIT: This certification sets an important precedent in the US for responsible biofuel production.

"Our mission has always been to lead the sustainability effort in North Carolina through the development and production of clean, renewable fuels. Undergoing independent assessment by SCS and earning RSB certification allows us to validate our sustainable practices. Not all biofuels are created equal and this certification will go a long way toward proving that."

– Lyle Estill, President of Piedmont Biofuels





Conservation International & Peruvian Government

SECTOR: Forest Management

ACCOMPLISHMENT: Carbon offset validation and verification. The Alto Mayo Reduced Emissions from Deforestation and forest Degradation (REDD+) project, sponsored by Conservation International and the Peruvian government, earned verification from SCS in 2012 to the Verified Carbon Standard.

BENEFIT: The project has protected 2.8 million hectares of Andean rainforest from illegal land clearing, and will reduce carbon dioxide emissions by 4.2 million tons over 30 years. The Walt Disney Company purchased verified carbon units issued by the project to offset corporate emissions.

Delta Air Lines

BUSINESS: Commercial Airlines

ACCOMPLISHMENT: Carbon Footprint Verification. Delta's carbon footprint was verified by SCS in 2012, making it the world's first legacy airline to achieve a successful, independent third party verification of its greenhouse gas emissions inventory.

BENEFIT: Through this verification, Delta earned membership in the The Climate Registry, and set an important precedent for other airlines to follow.

"We support consistent and transparent standards to calculate, verify and publicly report greenhouse gas emissions."

– Ken Hylander, Delta's Senior Vice President of Corporate Safety, Security & Compliance



Austral Fisheries & Australian Longline

SECTOR: Fisheries Management

ACCOMPLISHMENT: Marine Stewardship Council Certification. SCS certified Austral Fisheries' Patagonian toothfish (Chilean Seabass) fishery under the Marine Stewardship Council standard.

BENEFIT: Certification assures consumers that this fishery is responsibly managed. Products from this fishery were listed as a "Best Choice" by the Monterey Bay Aquarium Seafood Watch program.

"This is another milestone in an extraordinary journey for a fishery that has gone from poachers and problems, to being recognized internationally as a Best Choice and sustainable. This has only been possible through the cooperation and efforts of many in conservation, management, science and responsible industry. We are immensely proud."

– David Carter, CEO of Austral Fisheries

Raley's

BUSINESS: U.S. Supermarket

ACCOMPLISHMENT:

AgriCheck® standard

BENEFIT: Shoppers at Raley's 128 stores in California and Nevada have more healthy choices because of Raley's efforts to reduce pesticide residue in fresh fruits and vegetables. Raley's AgriCheck standard requires that foods contain no detected residues down to a detection limit of 0.05 parts per million or lower – far more stringent than government approved levels. In 2012, SCS certified dozens of products to confirm their conformance with AgriCheck requirements. Supplier participation is voluntary but encouraged in this Raley's private label branded program.





Dulcinea Farms

BUSINESS: California melon grower

ACCOMPLISHMENT: Increased product quality based on flavor testing and strict food safety standards

BENEFIT: Consumers who enjoy Dulcinea's many popular brands of melons and tomatoes – PureHeart mini watermelon and RubyBliss watermelons, Amadoro and Primodoro tomatoes, HoneyBliss honeydew melons, and Tuscan-Style cantaloupes – are the beneficiaries of the company's long-term commitment to flavor quality and food safety. In 2012, SCS provided independent flavor management services and audited Dulcinea against strict food safety protocols.

Peri & Sons Farms

BUSINESS: California and Nevada Onion grower

ACCOMPLISHMENT: Pesticide Residue Free and GlobalG.A.P. certifications, and Good Manufacturing Practices audit of packing shed.

BENEFIT: Peri & Sons is passionate about growing and marketing superior produce, using the most innovative and environmentally responsible methods. Controlling every aspect of growing, packing and shipping premium onions from family owned farms in California and Nevada, it can guarantee optimal freshness while maintaining the strictest food safety standards.

“We’ve developed a high level of confidence in the knowledgeable staff and auditors at SCS Global. SCS is able to provide complete, comprehensive audits for field, harvest crews, packing house and pesticide residue testing, and it offers a wide range of solutions and certifications to meet our ever-changing needs.”

– Teri Gibson, Director, Marketing & Customer Relations, Peri & Sons Farms





Marshall Ingredients

BUSINESS: Sells fruit & vegetable pumice as ingredients for protein bars and other processed foods.

ACCOMPLISHMENT: SQF, Level 2 certification

BENEFIT: Safe Quality Food (SQF) certification is required by many food manufacturers, retailers, and chain restaurants as a risk mitigation tool, helping them trust and verify the safety of foods in their supply chains. SCS also provided training and conducted a Good Manufacturing Practices audit of the facility.

"Working with SCS actually saved us money. During our pre-assessment, SCS pointed out that a piece of equipment an outside consultant told us to buy was unnecessary, effectively saving us over \$30,000 this year, far more than the cost of certification. It was well worth it."

– Jim DeMay, General Manager, Marshall Ingredients





VII Looking Ahead

The goal of sustainability has never been more important than it is today. We are proud to acknowledge and independently verify the groundbreaking efforts of our clients as they tackle the daunting challenges we face.

In 2013, we are looking forward to another year of robust growth. We will continue to expand services through our international network of subsidiaries and partners, and to drive and support the development of leadership standards to help guide future sustainability efforts.

Your thoughts and feedback are welcome.

Please contact us at **www.SCSGlobalServices.com**

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